

Message Text

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ACTION NEA-10

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AMEMBASSY TEHRAN

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SUBJECT: EGYPTIAN DEVELOPMENT PLANS

SUMMARY. MINPLANNING RAHMAN, IN OFFICE SINCE APRIL CABINET
RESHUFFLE, HAS EVIDENTLY HAD ENOUGH TIME TO READ INTO HIS NEW JOB.
PRESS HAS BEGUN TO REPORT EMERGING STRUCTURE OF DEVELOPMENT PLANS
FOR COMING YEAR, WHICH APPEARS TO BE RATHER OPTIMISTIC AND STILL
IN FORMATIVE STAGES, BUT WHICH COULD POTENTIALLY PLAY MAJOR ROLE
IN OVERCOMING MANY OF EGYPT'S MAJOR PROBLEMS. END SUMMARY.

1. IN RECENT DAYS, LOCAL PRESS HAS PAID CONSIDERABLE ATTENTION
TO ACTIVITIES OF MINISTER OF PLANNING IBRAHIM HELMY ABDUL RAHMAN
IN PRESENTING FRAME WORK OF ECONOMIC DEVELOPMENT PLANS FOR
COMING YEAR TO VARIOUS COMMITTEES WITHIN GOE. WHILE IT IS
FAIRLY EVIDENT THAT A GREAT DEAL REMAINS TO BE DONE BEFORE
ANYTHING RESEMBLING A DEFINITE PLAN WILL EMERGE, EVENT DOES
HAVE SOME SIGNIFICANCE FOR A NUMBER OF REASONS, AS DISCUSSED
BELOW.

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2. MIN RAHMAN, RUMORED TO BE SO APPALLED AT MAGNITUDE OF PROBLEMS AND LACK OF PERSONNEL, AUTHORITY AND EXPERTISE WITHIN HIS MINISTRY TO DEAL WITH THEM THAT HE WAS CONSIDERING RESIGNING, HAS APPARENTLY COME TO TERMS WITH ASSIGNMENT HE HAS BEEN GIVEN. THIS IS REVEALED NOT ONLY BY ANNOUNCEMENTS OF HIS VARIOUS ACTIONS, BUT ALSO BY SIGNS OF FAIRLY ABRUPT DEPARTURES FROM TYPE OF PLANNING THAT HAD PREVIOUSLY BEEN DISCUSSED. SINCE RAHMAN HAS REPUTATION AS MOVER AND SHAKER, THIS IS A HEALTHY SIGN FOR PLANNING FUNCTIONS IN GENERAL.

3. EGYPTIAN TRACK RECORD ON PLANNING IS RATHER POOR, BOTH IN TERMS OF SETTING GOALS AND OBJECTIVES, AND IN ACHIEVING THEM. IN RECENT YEARS, PLANS HAVE BEEN LARGELY IGNORED, ESPECIALLY SINCE 67 WAR. EFFORT TO REVIVE ART IN 74, WITH SO-CALLED INTERIM OR SECOND CROSSING PLAN (JULY 74- DECEMBER 75) WAS LARGELY WASTED EFFORT. PASSAGE OF PLAN AT END OF 74 NEGATED PORTION APPLICABLE TO THAT YEAR, AND 75 SEGMENT CONSISTED LARGELY OF WISH-LISTS OF PROJECTS.

4. AS INITIALLY FORMULATED, IDEA WAS THAT SECOND CROSSING WOULD LAY GROUNDWORK FOR FIVE YEAR PLAN (76-80) WHICH WOULD BRING EGYPT TO LEVEL OF SELF-SUSTAINING ECONOMIC GROWTH. IMPORTANCE OF FACTORS BEYOND GOE'S CONTROL IN CONTRIBUTING TO GROUNDWORK, PARTICULARLY HIGH LEVEL OF PROJECTED FOREIGN INVESTMENT, MADE MOST OF EXERCISE HIGHLY PROBLEMATIC AT BEST. VIRTUALLY NO SIGNIFICANT INVESTMENTS HAVE BEEN MADE (OUTSIDE OF PETROLEUM SECTOR) THIS FAR IN 75.

5. AT LEAST PARTIALLY AS RESULT OF THIS AND OTHER UNCERTAINTIES, IDEA NOW IS TO TACKLE DETAILED PLANNING OF 76-80 PERIOD - AT LEAST INITIALLY - IN YEARLY INCREMENTS. RAHMAN NO DOUBT REALIZES THAT DETAILED VIABLE FIVE YEAR PLAN CANNOT BE DEVELOPED IN SHORT TIME REMAINING BETWEEN NOW AND CY 76, ALTHOUGH SOME OVERALL OBJECTIVES HAVE BEEN DEVELOPED (SEE BELOW).

6. EMPHASIS FOR 76 PLAN, WHICH WILL BE DEVELOPED PIECEMEAL BY ASSEMBLING REPORTS (DUE IN OCTOBER) PREPARED BY COMMITTEES COVERING VARIOUS SECTORS OF ECONOMY, IS TO BE PLACED ON, IN PRIORITY ORDER: INVESTMENTS IN BASIC UTILITIES, UTILIZATION OF IDLE CAPACITIES, COMPLETION OF PROJECTS BEGUN IN LIMITED OFFICIAL USE

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EARLIER PERIODS, IMPLEMENTATION OF PROJECTS FINANCED WITH PARTICIPATION OF FOREIGN CAPITAL, AND FACILITATION OF ADDITIONAL NEW PROJECTS IN LATTER CATEGORY.

7. FOR THE 1976-80 PERIOD ONLY GENERAL INVESTMENTS TARGETS HAVE BEEN SET. EXTERNAL FINANCING IS EXPECTED TO CONTRIBUTE ABOUT LE 5 BILLION: OIL COUNTRIES (NOT INCLUDING SAUDI ARABIA), LE 1.4 BILLION, SAUDIS LE 800 MILLION, INVESTMENT (FREE ZONE

AND OTHER) LE 1.2 BILLION, EASTERN BLOC LE 330 MILLION
 WESTER COUNTRIES LE 300 MILLION, GOE FOREIGN EXCHANGE
 FINANCING LE 750 MILLION AND PRIVATE SECTOR LE 250. PROJECTED
 LOCAL CURRENCY RESOURCES ARE LE 4.3 BILLION, BRINGING TOTAL TO
 LE 9.383 BILLION:

SOURCE OF HARD CURRENCY	HARD CURRENCY (MILLIONS IN LE AT L.E. 1EQUALS \$2.55)	LOCAL CURRENCY COUNTERPART (MILLIONS OF LE
)		
OIL COUNTRIES (NOT		
INCLUDING SAUDI ARABIA)	1400	300
SAUDI ARABIA	800	400
FREE ZONE INVESTMENTS	1030	2
INVESTMENTS UNDER LAW 43	127	94
EASTERN BLOCK	330	300
WESTER, COUNTRY	300	300
EGYPTIAN GOVERNMENT		
FINANCING	750	2500
PRIVATE SECTOR	250	500
TOTAL	4987	4396

8. FOR THE LONGER TERM RAHMAN HAS LAID OUT THREE VERY GENERAL
 PLANNING PHASES: 75-78, AIMED PRINCIPALLY AT CORRECTING DEFICIT
 IN BALANCE OF PAYMENTS; 79-83, INTENDED TO PREPARE ECONOMY TO
 ABSORB INVESTMENTS AND WORKERS AT 2 HIGHER RATE; 84-2000 AIMED AT
 RAISING LEVELS OF PRODUCTIVITY, TECHNOLOGY, AND INVESTMENT TO COPE
 WITH A LABOR FORCE OF 20 MILLION (VISE 9 MILLION NOW). ADDITIONAL
 POINTS STRESSED ARE IMPERATIVES OF RAISING DOMESTIC SAVINGS
 TO 20 PERCENT OF NATIONAL INCOME, AND INCREASING GNP BY 12 PERCENT
 ANNUALLY.

9. COMMENT. WHILE MUCH OF ABOVE IS DISTRESSINGLY FAMILIAR
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TO OBSERVERS OF RECENT EGYPTIAN EXERCISES IN PLANNING, PRIORITIES
 DO INDICATE A FAIRLY REALISTIC APPRAISAL OF EGYPT'S
 NEEDS AND CAPABILITIES. FURTHER, FACT THAT RAHMAN HAS BEEN
 WILLINT TO MODIFY APPROACH OF HIS PREDECESSORS, NECESSITATING
 FURTHER DELAY IN PREPARATION OF PLAN FOR SUBMISSION TO CABINET,
 INDICATES THAT HE INTENDS AT LEAST TO TRY TO PUT TOGETHER AS
 NEANINGFUL A DOCUMENT AS POSSIBLE.

10. THIS TASK WILL BE EXTREMELY DIFFICULT, SINCE NO BASIC LONG
 RANGE ECONOMIC STUDIES OF EGYPTIAN ECONOMY HAVE BEEN UNDER-
 TAKEN IN TWENTY-FIVE YEARS. RAHMAN THEREFORE HAS NO WEAPON
 AS PLANNING MINISTER TO PIT AGAINST PRESSURES AND RESISTANCE OF
 OTHER MINISTERS, EACH WITH HIS OWN PREDICTIONS AND PRIORITIES.
 HE IS ALSO FORCED TO RESORT TO HIGHLY DUBIOUS PROJECTIONS OF
 ECONOMIC PERFORMANCE. FOR EXAMPLE FIGURES GIVEN IN PARA 7

ABOVE FOR OVERALL INVESTMENT APPEAR TO BE DERIVED BY WORKING
BACKWARD FROM 12 PERCENT GOAL FOR RATE OF GROWTH IN NATIONAL INCOME.
PROJECTED FIGURES FOR FREE ZONE INVESTMENTS APPEAR TO BE BASED
ON UNREALISTIC ASSUMPTION THAT ABOUT 60 PERCENT BY VALUE OF
PROJECTS ALREADY APPROVED BY GOE WILL IMPLEMENTED. GOE FINANCING AND
PRIVATE INVESTMENT LEVELS ARE PROBABLY ROUND-FIGURE "MAGIC" RESIDUALS
NEEDED TO ATTAIN TARGET GROWTH RATE.

11. OUTCOME OF ALL OF THIS WILL OF COURSE BE EVIDENT ONLY WITH
PASSAGE OF TIME, BUT ON BALANCE WE TEND TO BE OPTIMISTIC.
EGYPT DOES NOT HAVE TO DEPEND ON ECONOMIC PLANS IN ORDER TO ACHIEVE
NECESSARY GROWTH; IN FACT GREATER PRAGMATISM MAY BE MORE COMPATIBLE
WITH CURRENT LIBERALIZATION EFFORT. ON OTHER HAND, AWARENESS OF
PROBLEMS AND COURAGE TO TACKLE THEM ARE A DEFINITE REQUISITE FOR
SUCCESS. FROM THIS VANTAGE POINT, RAHMAN SHOWS SIGNS OF
POSSESSING NECESSARY QUALITIES.
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